
Introduction

Assistance is defined in the *Productivity Commission Act 1998* as:

... any government act that, directly or indirectly, assists a person to carry on a business or activity, or confers a pecuniary benefit on, or results in a pecuniary benefit accruing to, a person in respect of carrying on a business or activity.

Industry assistance measures include tariffs, quotas, anti-dumping duties and regulatory restrictions on imported goods and services, as well as tax concessions and subsidies for domestic producers. Local producers may also benefit from services provided by government which are not priced at their full cost.

The Commission has a statutory obligation to report annually on industry assistance and, as one part of meeting this requirement, the Commission provides annual estimates of budgetary assistance to industry. These estimates cover those budgetary measures that can be quantified, given practical constraints in measurement and data availability. They cover the budgetary assistance provided by the Commonwealth Government, but not that provided by State, Territory and local governments.¹ The estimates exclude outlays on defence, health, education and the labour market. They also exclude measures which are generally available to all firms, such as changes in road funding. The Commission's approach to measuring budgetary assistance was explained in detail in appendix A of the *Trade & Assistance Review 1998-99* (PC 1999b).

In the past, the Commission has provided estimates of the incidence of budgetary assistance using a simple, four sector classification of the economy. Budgetary assistance measures were allocated under the headings 'primary production', 'manufacturing', 'mining' and 'services'.

To provide a better basis for determining the incidence of assistance, this year the Commission has augmented this approach by also providing a disaggregated breakdown of the incidence of budgetary assistance, using a 27 industry grouping classification system. Under this system, primary production and mining remain as

¹ The Commission estimated budgetary assistance to industry provided by State, Territory and Local governments in its report *State, Territory and Local Government Assistance to Industry* (IC 1996).

single categories, but the manufacturing and service sectors have been disaggregated into various sub-groupings.

Allocating budgetary assistance at the 27 industry grouping level is more difficult than allocating it at the four sector level. The Commission has used detailed information to assist in the allocation process and, where necessary, sought advice from government agencies responsible for administering the relevant budgetary assistance programs.

In this annex to *Trade & Assistance Review 1999-2000* (PC 2000), the Commission:

- explains the new classification system (section 1);
- discusses the way the Commission has allocated budgetary assistance using the new system (section 2);
- provides a program-by-program breakdown of allocations (section 3); and
- reports results using this system for the years 1997-98 to 2000-01 (section 4).

The results are also reported, and discussed, in chapters 2 and 4 of this year's Review (PC 2000).

Research for this project has been undertaken by Joe Owen, with assistance from Duc Nguyen-Hong. The Commission would welcome any comments on its general methodology or on the appropriateness of any particular allocations of budgetary assistance to industry groupings that it has made.